

**Village of Kinde
Kinde, MI**

**FINANCIAL REPORT
January 31, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Kinde	County Huron
Audit Date 1/31/04	Opinion Date 7/21/04	Date Accountant Report Submitted to State: 7/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

George A Zahul CPA PC

Street Address

101 North Port Crescent

City

Bad Axe

State

MI

ZIP

48413

Accountant Signature

George A Zahul **CPA**

Date

7-21-04

George Zahul, CPA, PC
101 N Port Crescent St
Bad Axe, MI 48413

July 27, 2004

To the Village Board
Village of Kinde
Kinde, MI 48445

The following comments related to situations that came to my attention during the course of my recent examination of the Village of Kinde's financial statements as of and for the year ended June 30, 2004, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

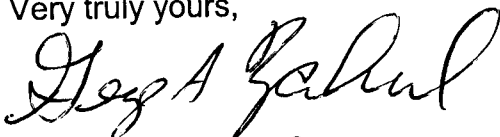
1. The Village over-expended in the General Fund in comparison to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.

2. Please contact our office in the near future, regarding the implementation procedures of the changes required by GASB 34, which will affect the way you account for transactions.

If you would need assistance in implementing the above, I would be happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Village Officials for their help and assistance during the audit.

Very truly yours,



George A. Zahul, PC
Certified Public Accountant

Village of Kinde

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George Zahul, CPA, PC
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Independent Auditor's Report

To the Village Council
Village of Kinde
Kinde, MI 48445

I have audited the accompanying general purpose financial statements of the Village of Kinde as of and for the year ended January 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Village of Kinde. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Kinde as of January 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 21, 2004, on my consideration of the Village of Kinde's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the general purpose financial statements of the Village of Kinde. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

George Zahul, CPA, PC
July 21, 2004

George Zahul, CPA, PC
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989-269-9966

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Village Council
Village of Kinde
Kinde, MI 48445

I have audited the general purpose financial statements of the Village of Kinde as of and for the year ended January 31, 2004, and have issued my report thereon dated July 21, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Kinde's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Village of Kinde, in a separate letter dated July 21, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Kinde's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

George Zahul, CPA, PC
July 21, 2004

Village of Kinde
Combined Balance Sheet
All Fund Types
January 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary</u> <u>Fund Type</u> <u>Sewer</u>	<u>Account</u> <u>Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Reveune</u>	<u>Operating</u>		
Assets					
Cash and Investments	\$ 254,794.32	\$ 78,799.77	\$ 113,456.82	\$ 0.00	\$ 447,050.91
Account Receivable	16,870.40	0.00	8,346.10	0.00	25,216.50
Due from Special Revenue Funds	5,126.24	0.00	0.00	0.00	5,126.24
Due from Sewer Fund	1,738.40	0.00	0.00	0.00	1,738.40
Prepaid Insurance	4,254.20	0.00	0.00	0.00	4,254.20
Land, Building, and Equip-net	0.00	0.00	279,751.31	229,462.04	509,213.35
Total Assets	<u>\$ 282,783.56</u>	<u>\$ 78,799.77</u>	<u>\$ 401,554.23</u>	<u>\$ 229,462.04</u>	<u>\$ 992,599.60</u>
Liabilities and Fund Equity					
Current Liabilities					
Account Payable	\$ 2,130.98	\$ 0.00	\$ 96.12	\$ 0.00	\$ 2,227.10
Salaries and Fringes Payable	193.36	0.00	0.00	0.00	193.36
Due to General Funds	0.00	5,126.24	1,738.40	0.00	6,864.64
Total Liabilities	<u>2,324.34</u>	<u>5,126.24</u>	<u>1,834.52</u>	<u>0.00</u>	<u>9,285.10</u>
Fund Equity					
Contributions & Grants in aid of Construction	0.00	0.00	225,488.00	0.00	225,488.00
Less Depreciation transferred from operations	0.00	0.00	(155,701.00)	0.00	(155,701.00)
Investments in General Fixed Assets	0.00	0.00	0.00	229,462.04	229,462.04
Fund Balances:					
Retained Earnings	0.00	0.00	329,932.71	0.00	329,932.71
Unreserved	280,459.22	73,673.53	0.00	0.00	354,132.75
Total Fund Equity	<u>280,459.22</u>	<u>73,673.53</u>	<u>399,719.71</u>	<u>229,462.04</u>	<u>983,314.50</u>
Total Liabilities and Fund Equity	<u>\$ 282,783.56</u>	<u>\$ 78,799.77</u>	<u>\$ 401,554.23</u>	<u>\$ 229,462.04</u>	<u>\$ 992,599.60</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Combined Statement of Revenue, Expenditures and
Change in Fund Balance - All Fund Types
For the Year Ended January 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only</u>
Revenues			
Taxes-Current	\$ 100,765.77	\$ 0.00	\$ 100,765.77
Intergovernmental	35,800.62	49,396.64	85,197.26
Miscellaneous Revenue	87,829.73	736.89	88,566.62
Total Revenues	<u>224,396.12</u>	<u>50,133.53</u>	<u>274,529.65</u>
Expenditures			
Legislative	4,857.36		4,857.36
General Government	28,252.39		28,252.39
Streets		62,499.85	62,499.85
Public Buildings and Grounds	4,246.56	0.00	4,246.56
Public Safety	8,362.49		8,362.49
Public Works	21,196.94		21,196.94
Recreation	1,924.00		1,924.00
Other	90,767.20	0.00	90,767.20
Capital Outlay	5,370.00	0.00	5,370.00
Total Expenditures	<u>164,976.94</u>	<u>62,499.85</u>	<u>227,476.79</u>
Excess of Revenues over Expenditures	59,419.18	(12,366.32)	47,052.86
Other Financing Sources (Uses)			
Operating Transfers in	0.00	46,500.00	46,500.00
Operating Transfers out	(42,000.00)	(4,500.00)	(46,500.00)
Total Other Financing Sources (Uses)	<u>(42,000.00)</u>	<u>42,000.00</u>	<u>0.00</u>
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	<u>17,419.18</u>	<u>29,633.68</u>	<u>47,052.86</u>
Fund Balance Beginning of Year	262,497.45	44,039.85	306,537.30
Fund Balance Adjustment	<u>542.59</u>	<u>0.00</u>	<u>542.59</u>
Fund Balance End of Year	<u>\$280,459.22</u>	<u>\$ 73,673.53</u>	<u>\$ 354,132.75</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund and Special Revenue Funds
For the Year Ended January 31, 2004

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			<u>Favorable (Unfavorable)</u>			<u>Favorable (Unfavorable)</u>
Revenues						
Taxes	\$ 94,112.00	\$100,765.77	\$ 6,653.77	\$ 0.00	\$ 0.00	\$ 0.00
Intergovernmental -State	34,500.00	35,800.62	1,300.62	42,200.00	49,396.64	7,196.64
Other Revenue	77,700.00	87,829.73	10,129.73	1,100.00	736.89	(363.11)
Total Revenues	<u>206,312.00</u>	<u>224,396.12</u>	<u>18,084.12</u>	<u>43,300.00</u>	<u>50,133.53</u>	<u>6,833.53</u>
Expenditures						
Legislative	5,000.00	4,857.36	142.64	0.00	0.00	0.00
General Government	33,712.00	28,252.39	5,459.61	0.00	0.00	0.00
Streets	0.00	0.00	0.00	96,500.00	62,499.85	34,000.15
Public Buildings and Grounds	6,100.00	4,246.56	1,853.44	0.00	0.00	0.00
Public Safety	11,200.00	8,362.49	2,837.51	0.00	0.00	0.00
Public Works	32,725.00	21,196.94	11,528.06	0.00	0.00	0.00
Recreation	7,100.00	1,924.00	5,176.00			0.00
Other	96,750.00	90,767.20	5,982.80	0.00	0.00	0.00
Capital Outlay	<u>5,400.00</u>	<u>5,370.00</u>	<u>30.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>197,987.00</u>	<u>164,976.94</u>	<u>33,010.06</u>	<u>96,500.00</u>	<u>62,499.85</u>	<u>34,000.15</u>
Excess of Revenues						
Over (Under) Expenditures	8,325.00	59,419.18	51,094.18	(53,200.00)	(12,366.32)	40,833.68
Other Financing Sources (Uses)						
Operating Transfers In	0.00	0.00	0.00	56,500.00	46,500.00	10,000.00
Operating Transfers Out	<u>(35,000.00)</u>	<u>(42,000.00)</u>	<u>(7,000.00)</u>	<u>(4,500.00)</u>	<u>(4,500.00)</u>	<u>0.00</u>
Total Other Financing Sources (Uses)	<u>(35,000.00)</u>	<u>(42,000.00)</u>	<u>(7,000.00)</u>	<u>52,000.00</u>	<u>42,000.00</u>	<u>10,000.00</u>
Excess of Revenues and Other Sources						
Over(Under) Expenditures and Other(Uses)	<u>\$(26,675.00)</u>	17,419.18	<u>\$ 44,094.18</u>	<u>\$ (1,200.00)</u>	29,633.68	<u>\$ 30,833.68</u>
Fund Balance at Beginning of Year		262,497.45			44,039.85	
Fund Balance Adjustment		<u>542.59</u>			<u>0.00</u>	
Fund Balance at End of Year		<u>\$280,459.22</u>			<u>\$73,673.53</u>	

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Proprietary Fund Type - Sewer Operating Fund
Statement of Revenues, Expenses and Changes in
Retained Earnings Budget and Actual
For the Year Ended January 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Operating Revenues			
Sewer Fees	\$ 50,600.00	\$ 49,751.34	\$ (848.66)
Interest	1,600.00	2,259.11	659.11
Total Operating Revenues	<u>52,200.00</u>	<u>52,010.45</u>	<u>(189.55)</u>
Operating Expenses			
Wage Reimbursements	9,500.00	7,696.83	1,803.17
Bookkeeping Wages	1,000.00	0.00	1,000.00
Collection Expense-Office Supplies	700.00	491.50	208.50
Materials-Maintenance	4,000.00	2,777.61	1,222.39
Insurance	100.00	0.00	100.00
Utilities	1,370.00	1,228.25	141.75
Equipment Repairs	2,000.00	0.00	2,000.00
Depreciation	14,000.00	13,896.00	104.00
Miscellaneous	500.00	0.00	500.00
Equipment Rental	6,200.00	5,821.70	378.30
Membership and Dues	250.00	150.00	100.00
Bank Charges	250.00	139.60	110.40
Schooling, Mileage, etc.	200.00	6.85	193.15
Professional Fees	2,000.00	1,260.00	740.00
Office Supplies	100.00	0.00	100.00
Total Operating Expenses	<u>42,170.00</u>	<u>33,468.34</u>	<u>8,701.66</u>
Operating Income (loss)	10,030.00	18,542.11	8,512.11
Other Income (Expense)			
Net Income (loss) From Operations	<u>\$ 10,030.00</u>	18,542.11	<u>8,512.11</u>
Add: Transfer of depreciation on assets acquired with contributions and grants in aid of construction to contributed equity		<u>3,957.00</u>	
Net Income (Loss)		22,499.11	
Retained Earnings Beginning of Year		<u>307,433.60</u>	
Retained Earnings End of Year		<u>\$ 329,932.71</u>	

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Proprietary Fund Type Sewer Operating Fund
Statement of Cash Flows
For The Year Ended January 31, 2004

Cash Flows From Operating Activities

Net Income (Loss)	\$ 22,499.11
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Depreciation and Amortization	9,939.00
Losses (Gains) on sales of Fixed Assets	0.00
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(13.20)
Increase (Decrease) in Operating Liabilities:	
Accrued Liabilities	0.00
Total Adjustments	<u>9,925.80</u>
Net Cash Provided By (Used in) Operating Activities	32,424.91

Cash Flows From Investing Activities

Proceeds From Sale of Fixed Assets	<u>0.00</u>
Net Cash Provided By (Used In) Investing Activities	0.00

Cash Flows From Financing Activities

Net Cash Provided By (Used In) Financing Activities	<u>0.00</u>
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Net Increase (Decrease) In Cash and Cash Equivalents	32,424.91
Cash and Cash Equivalents Beginning of Year	<u>81,031.91</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 113,456.82</u></u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

Note 1-Summary of Significant Accounting Policies:

A. Description of Village Operations

The village is located in Huron County, Michigan and operates under an elected Council. The Village provides services to the residents as authorized by its charter, which include public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning, and general administration services.

B. Reporting Entity

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The Village is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Village.

C. Basis of Presentation

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and account groups are used by the Village:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

Fiduciary Fund Type:

Nonexpendable Trust Fund - The Trust Fund was established to account for assets received and held by the government in the capacity of trustee for individuals, other governments and/or other funds for which a portion of the fund must be held intact.

Account Group:

General Fixed Assets Account Group - This account group is used to account for fixed assets purchased by and used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All propriety funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, unless it will benefit beyond the year end. It is then recorded as a prepaid item.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

Those revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures/expenses. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Property Taxes

Properties are assessed as of June 30, and the related property taxes become a lien on June 1 of the following year. These taxes are due on September 14 with the final collection date of September 14. After this date, they are added to the County tax rolls.

Property taxes levied are collected and deposited in the General Fund. The delinquent real property taxes of the Village are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Village as collection occurs. The tax rates assessed for the year ended January 31, 2004, to finance the general fund operations were based on the taxable value of \$6,342,966. The following rates were levied based on the taxable value:

<u>Fund</u>	<u>Mills</u>
General	11.00
Streets	<u>4.00</u>
Total	15.00

G. Budgets

Budgets and amended budgets as presented for the Governmental Fund Types are adopted on a basis consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Village does not utilize encumbrance accounting.

H. "Totals - (Memorandum Only)"

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund type and account group. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

I. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Note 2 - Budgets:

In the combined financial statements, the Village's actual expenditures and budgeted expenditures, as amended, for budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the fund level.

P.A. 621 of 1978, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the function level.

During the year ended January 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as presented in the financial statements.

Note 3 - Cash and Investments:

Deposits - The Village's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Village's deposits was \$117,837 and the bank balance was \$125,029.

Investments - State statutes authorize the Village to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of January 31, 2004, the Village investments consisted of certificates of deposit of which the carrying amount and the bank balance was \$329,214.

The total Village cash and investments amounted to \$447,051 as of January 31, 2004 and \$447,051 was covered by Federal Depository Insurance.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

Note 4 - Proprietary Fund Fixed Assets:

Additions to the utility plant are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer Building and Lines	50 years
Buildings	15-30 years
Equipment	10-20 years
Office Equipment	5 years

Following is a summary of fixed assets recorded in the Sewer Fund as of January 31, 2004

Land	\$ 24,038.00
Site Preparation	58,526.00
Building Sewer Lines and Equipment	610,372.31
Roads & Paving	<u>108,123.00</u>
	801,059.31
Less: Accumulated Depreciation	(521,308.00)
Net Fixed Assets	<u>\$ 279,751.31</u>

Note 5 - Contributed Capital:

Contributed capital currently exists only in the Enterprise Fund. This capital has been used along with other Village resources to purchase or construct the sewer system currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital rather than retained earnings.

Note 6 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

The Village has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Village employees by the Michigan unemployment fund must be reimbursed by the Village on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Village becomes liable to the State of Michigan for unemployment benefits paid.

Village of Kinde
Notes to the Financial Statements
January 31, 2004

Note 7 - Pension Plan

The Village of Kinde participates in a plan by the Municipal Employees' Retirement System (MERS), which is administered by the State of Michigan. The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non duty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.5 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available for the fiscal year ended December 31, 1997.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statement and required supplementary information for the systems. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

The employee of Village of Kinde contributes 5% of his gross wages to the retirement plan. For the fiscal year ended January 31, 2004, \$1,574.29 was contributed by the employee and \$3,023.74 was contributed by the Village to MERS.

Note 8 - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The village is required to implement this standard for the fiscal year beginning after June 15, 2003. The village has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

Supplemental Financial Information

Village of Kinde
General Fund
Schedule of Revenues Actual and Budget
For the Year Ended January 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Taxes	\$ 96,112.45	\$ 94,112.00	\$ 2,000.45
Current Taxes Street	4,653.32	0.00	4,653.32
Delinquent Taxes	542.59	0.00	542.59
Interest on Delinquent Taxes	33.97	0.00	33.97
Sales Tax	63,853.00	50,000.00	13,853.00
Park Township	800.00	0.00	800.00
Equipment Rental Local Street	5,017.32	6,000.00	(982.68)
Equipment Rental Major Street	8,645.38	8,000.00	645.38
Equipment Rental Sewer Operation	5,821.70	4,500.00	1,321.70
Wage Reimb Sewer Operation	7,696.83	7,000.00	696.83
Wage Reimb Local Street	3,871.95	4,000.00	(128.05)
Wage Reimb Major Street	4,747.44	5,000.00	(252.56)
Garbage Collections	17,164.85	18,000.00	(835.15)
Interest on Delinquents	230.98	0.00	230.98
Park Rent	260.00	300.00	(40.00)
Building Permits	75.00	100.00	(25.00)
Fines & Forfeits	165.00	300.00	(135.00)
Interest on Investments	4,502.36	5,000.00	(497.64)
Zoning Fees	0.00	200.00	(200.00)
Other Revenue	744.57	3,000.00	(2,255.43)
Twp Donations-Park Const	0.00	800.00	(800.00)
Total Revenues	<u>\$ 224,938.71</u>	<u>\$ 206,312.00</u>	<u>18,626.71</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
General Fund
Schedule of Expenditures Actual and Budget
For the Year Ended January 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Legislative			
Legislative-Council Fees	\$ 4,857.36	\$ 5,000.00	\$ 142.64
Total Legislative	<u>\$ 4,857.36</u>	<u>\$ 5,000.00</u>	<u>142.64</u>
General Government			
Gen. Gov Elections	\$ 447.58	\$ 500.00	\$ 52.42
Gen.Gov. Clerical	9,936.00	10,000.00	64.00
Gen. Gov. Ambulance	1,335.00	1,400.00	65.00
Gen.Gov. Clerk	1,828.00	1,900.00	72.00
Gen. Gov. Office Supplies	714.99	1,300.00	585.01
Gen. Gov. Telephone	1,721.81	1,950.00	228.19
Gen. Gov Professional Fees	3,430.00	6,000.00	2,570.00
Gen. Gov. Zoning	810.92	1,000.00	189.08
Gen. Gov. Treasurer	1,512.00	1,600.00	88.00
Gen. Gov. TaxCollection	698.00	1,200.00	502.00
Gen Gov. Assessor	0.00	12.00	12.00
Gen. Gov. Membership & Dues	649.00	900.00	251.00
Gen. Gov. Ordinances	0.00	50.00	50.00
Gen. Gov. Other exp	3,726.27	3,900.00	173.73
Gen. Gov. Office Furniture	0.00	500.00	500.00
Gen Gov. Computer Supplies	1,442.82	1,500.00	57.18
Total General Government	<u>\$ 28,252.39</u>	<u>\$ 33,712.00</u>	<u>5,459.61</u>
Public Buildings and Grounds			
Bldg & Grnd Maint Salaries	\$ 1,289.64	\$ 1,500.00	\$ 210.36
Bldg & Grnd Supplies	189.65	500.00	310.35
Bldg & Grnd Heat, Light, Sewer	2,677.27	3,400.00	722.73
Bldg & Grnd Garbage Pickup	90.00	200.00	110.00
Bldg & Grnd Tools	0.00	500.00	500.00
Total Public Buildings and Grounds	<u>\$ 4,246.56</u>	<u>\$ 6,100.00</u>	<u>1,853.44</u>
Public Safety			
Safety Salaries	\$ 7,712.00	\$ 8,000.00	\$ 288.00
Safety Auto Maint & Operation	0.00	2,000.00	2,000.00
Safety Supplies	635.49	650.00	14.51
Safety Other	15.00	50.00	35.00
Safety Uniforms	0.00	500.00	500.00
Total Public Safety	<u>\$ 8,362.49</u>	<u>\$ 11,200.00</u>	<u>2,837.51</u>
Public Works			

The accompanying notes are an integral part of the financial statements.
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Village of Kinde
General Fund
Schedule of Expenditures Actual and Budget
For the Year Ended January 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
Public Works Street Lighting	\$ 10,251.86	\$ 12,000.00	\$ 1,748.14
Public Works Christmas Decoration	2,796.50	2,800.00	3.50
Public Works Equipment Maint.	1,179.16	4,500.00	3,320.84
Public Works Gas & Oil	1,851.01	2,300.00	448.99
Public Works Supplies	1,162.61	3,000.00	1,837.39
Public Works Salaries & Wages	3,296.64	7,000.00	3,703.36
Public Works Construction	102.66	125.00	22.34
Public Works Uniforms	556.50	1,000.00	443.50
Total Public Works	<u>\$ 21,196.94</u>	<u>\$ 32,725.00</u>	<u>11,528.06</u>
Recreation			
Recreation Salaries & Wages	\$ 1,265.13	\$ 1,500.00	\$ 234.87
Recreation Repairs & Maintenance	0.00	1,500.00	1,500.00
Recreation Supplies	0.00	400.00	400.00
Recreation Electricity	157.87	400.00	242.13
Recreation Supplies & Materials	165.00	500.00	335.00
Recreation Sewer	336.00	600.00	264.00
Recreation Insurance	0.00	200.00	200.00
Recreation Construction	0.00	2,000.00	2,000.00
Total Recreation	<u>\$ 1,924.00</u>	<u>\$ 7,100.00</u>	<u>5,176.00</u>
Other			
Park Rent Refunds	\$ 140.00	\$ 400.00	\$ 260.00
General Fund Salaries	31,064.94	31,900.00	835.06
Other Insurance	7,533.47	9,000.00	1,466.53
Other Employee Benefit Fica	3,481.88	4,200.00	718.12
Other Employee Benefit Retirement	3,023.74	3,100.00	76.26
Other Employee Benefit Health	13,508.58	14,000.00	491.42
Employee Benefit Medicare Portion FICA	1,315.19	1,400.00	84.81
Employee Benefit Life Insurance	150.00	150.00	0.00
Employee Benefit Disability	396.24	400.00	3.76
Taxes Unemployment	12.78	0.00	(12.78)
Drain at Large	2,540.48	3,000.00	459.52
Garbage Expense	17,041.90	18,000.00	958.10
Garbage Bookkeeping	398.00	1,000.00	602.00
Testing Contaminated Waste	10,160.00	10,200.00	40.00
Total Other	<u>\$ 90,767.20</u>	<u>\$ 96,750.00</u>	<u>5,982.80</u>
Capital Outlay			
Capital Outlay	\$ 5,370.00	\$ 5,400.00	\$ 30.00
Total Capital Outlay	<u>\$ 5,370.00</u>	<u>\$ 5,400.00</u>	<u>30.00</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
General Fund
Schedule of Expenditures Actual and Budget
For the Year Ended January 31, 2004

Transfers						
Transfer to Local Street	\$	4,000.00	\$	4,000.00	\$	0.00
Transfer to Vehicle Replacement		0.00		1,000.00		1,000.00
Transfer to Local Street Construction		<u>38,000.00</u>		<u>30,000.00</u>		<u>(8,000.00)</u>
Total Transfers	<u>\$</u>	<u>42,000.00</u>	<u>\$</u>	<u>35,000.00</u>	<u>\$</u>	<u>(7,000.00)</u>
Total Expenditures	<u>\$</u>	<u>206,976.94</u>	<u>\$</u>	<u>232,987.00</u>	<u>\$</u>	<u>26,010.06</u>

The accompanying notes are an integral part of the financial statements.

**Village of Kinde
Special Revenue Funds
Combined Balance Sheet
January 31, 2004**

	<u>Local Street Fund</u>	<u>Major Street Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 26,593.75	\$ 52,206.02	\$ 78,799.77
Total Current Assets	<u>26,593.75</u>	<u>52,206.02</u>	<u>78,799.77</u>
Total Assets	<u>\$ 26,593.75</u>	<u>\$ 52,206.02</u>	<u>\$ 78,799.77</u>
Liabilities and Fund Equity			
Current Liabilities			
Due to General Fund	\$ 1,868.85	\$ 3,257.39	\$ 5,126.24
Total Current Liabilities	<u>1,868.85</u>	<u>3,257.39</u>	<u>5,126.24</u>
Total Liabilities	<u>1,868.85</u>	<u>3,257.39</u>	<u>5,126.24</u>
Fund Equity			
Unreserved	<u>24,724.90</u>	<u>48,948.63</u>	<u>73,673.53</u>
Total Liabilities and Fund Equity	<u>\$ 26,593.75</u>	<u>\$ 52,206.02</u>	<u>\$ 78,799.77</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended January 31, 2004

	<u>Local Street</u>		<u>Variance</u> <u>Favorable</u>	<u>Major Street</u>		<u>Variance</u> <u>Favorable</u>	<u>Total</u>
	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>	
Revenues							
Gas and Weight Tax	\$ 9,914.95	\$ 8,200.00	\$ 1,714.95	\$33,411.69	\$28,000.00	\$ 5,411.69	\$43,326.64
County Tax	6,070.00	6,000.00	70.00	0.00	0.00	0.00	6,070.00
Interest	94.93	500.00	(405.07)	641.96	600.00	41.96	736.89
Total Revenues	<u>16,079.88</u>	<u>14,700.00</u>	<u>1,379.88</u>	<u>34,053.65</u>	<u>28,600.00</u>	<u>5,453.65</u>	<u>50,133.53</u>
Expenditures							
Construction	37,416.74	45,750.00	8,333.26	0.00	5,600.00	5,600.00	37,416.74
Maintenance	1,359.15	11,150.00	9,790.85	6,901.26	18,700.00	11,798.74	8,260.41
Professional Fees	2,580.00	6,500.00	3,920.00	580.00	2,100.00	1,520.00	3,160.00
Equipment Rental	5,017.32	4,400.00	(617.32)	8,645.38	7,600.00	(1,045.38)	13,662.70
Total Expenditures	<u>46,373.21</u>	<u>67,800.00</u>	<u>21,426.79</u>	<u>16,126.64</u>	<u>34,000.00</u>	<u>17,873.36</u>	<u>62,499.85</u>
Excess Revenues over Expenditures	<u>(30,293.33)</u>	<u>(53,100.00)</u>	<u>22,806.67</u>	<u>17,927.01</u>	<u>(5,400.00)</u>	<u>23,327.01</u>	<u>(12,366.32)</u>
Other Financing Sources (Uses)							
Transfers From General Fund	42,000.00	52,000.00	10,000.00	0.00	0.00	0.00	42,000.00
Transfer (To) From Major Street Fund	4,500.00	4,500.00	0.00	(4,500.00)	(4,500.00)	0.00	0.00
Total Other Financing Sources (Uses)	<u>46,500.00</u>	<u>56,500.00</u>	<u>10,000.00</u>	<u>(4,500.00)</u>	<u>(4,500.00)</u>	<u>0.00</u>	<u>42,000.00</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	16,206.67	<u>\$ 3,400.00</u>	<u>\$ 12,806.67</u>	13,427.01	<u>\$ (9,900.00)</u>	<u>\$ 23,327.01</u>	29,633.68
Fund Balance Beginning of Year	<u>8,518.23</u>			<u>35,521.62</u>			<u>44,039.85</u>
Fund Balance End of Year	<u>\$24,724.90</u>			<u>\$48,948.63</u>			<u>\$73,673.53</u>

The accompanying notes are an integral part of the financial statements.

Village of Kinde
Statement of General Fixed Assets
January 31, 2004

	<u>Balance</u> <u>January 31,</u> <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>January 31,</u> <u>2004</u>
General Fixed Assets				
Land	\$ 2,483.00	\$ 0.00	\$ 0.00	\$ 2,483.00
Land Improvements Dept of Public Works	7,031.00	0.00	0.00	7,031.00
Buildings	83,421.00	0.00	0.00	83,421.00
Equipment				
Village Office	11,518.00			11,518.00
Police Department	28,927.04	0.00	0.00	28,927.04
Department of Public Works	75,852.00	5,370.00	0.00	81,222.00
Parks and Recreation Department	14,860.00	0.00	0.00	14,860.00
Total General Fixed Assets	<u>\$ 224,092.04</u>	<u>\$ 5,370.00</u>	<u>\$ 0.00</u>	<u>\$ 229,462.04</u>

Village of Kinde
Tax Collection Agency Fund
Schedule of Changes
For the Year Ended January 31, 2004

Additions

Current Tax Collections	\$ 96,158.53
Total Additions	<u>96,158.53</u>

Deductions

Tax Collections Operating	(69,771.29)
Tax Collections Streets	(25,370.74)
Administrative fees	<u>(1,016.50)</u>

Net Additions over Deductions	<u><u>\$ 0.00</u></u>
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The accompanying notes are an integral part of the financial statements.